

Annual Press conference

ARAG Holding SE

Statement by Dr. Dr. h. c. Paul-Otto Faßbender and Dr. Renko Dirksen

Düsseldorf, 13 May 2020

(The spoken word is definitive.)

Good morning, ladies and gentlemen,

I am privileged to welcome you on behalf of the Management Board to the Annual Press Conference for the ARAG Group – which is being conducted under very different circumstances this year. Thus we are especially pleased that you have dialed in to this telephone conference. I also sincerely regret that we are unable to welcome you personally as our guests here in Düsseldorf.

A discussion of annual accounts is always a look back into the past. This year, however, it seems more like a recollection of a distant era. We are all living in a crisis mode, in both our personal and professional lives. Even though we here in Germany may appear to have suffered relatively little harm as compared to people in other countries, we have clearly felt the impact of the changes involved. We will, of course, discuss the effects of the COVID-19 crisis on ARAG, which will surely accompany us for some time to come. The question we must ask in this context is how we can respond to the present situation and meet the increasing needs of our customers for greater security.

Let us look first at a few present and future personnel matters. As you know, I will be resigning my position as Chairman of the Board of ARAG SE as planned on 3 July 2020. Although the COVID-19 crisis has forced us to change many of our plans, I see no reason to deviate from our initial planning. On the contrary, the excellent and convincing response of our Management Board team to this crisis and the related uncertainties has shown me that we have set the right course. The Supervisory Board of ARAG SE has confirmed this by adopting a new distribution of management responsibilities in April. Dr. Renko Dirksen will assume responsibility for Asset Management, Group Development/Business Organization, Legal Affairs/Compliance and Group Communication/Marketing as Speaker of the Management Board in early July. The Human Resources and Auditing Departments will be incorporated within a new Board-level function under the direction of Dr. Werenfried Wendler. Dr. Wendler has been a member of the executive management team of ARAG SE for many years and has headed the Human Resources Department, along with other duties, since 2002.

I myself plan to join the Supervisory Board of ARAG SE and to make myself available for election as Supervisory Board Chairman. In any event, I intend to retain my position as Chairman of the Board of ARAG Holding SE.

Let us turn our attention to the business performance of the ARAG Group. ARAG can now look back on the most successful business year in its history. Once again, we clearly improved on the very good performance of the preceding years. ARAG is positioned for sustainable success. We made a very good start in 2020 and exceeded our planning targets once again. Thus we now face the COVID-19 crisis from a real position of strength. The shock to capital markets resulting from exogenous factors in March naturally affects a property and health insurer as well, but surely not to the same extent as it does a life insurance company. Our strategic course settings are proving particularly appropriate right now.

I. **Business development**

The ARAG Group celebrates the best business year in its history.

We should note the following points with respect to the past business year:

- The ARAG Group showed strong 6.6-percent growth in the insurance business.
- The 4.7-percent gain in premium income in Germany was well above the market average.
- We expanded our customer base in Germany by 4 percent on balance.
- Total income from the Group's international business rose significantly by more than 9 percent.
- The noticeable rise in online business resulted in an 11-percent increase in the number of online customers.
- ARAG showed its best side in terms of earnings as well. Profit on ordinary activities improved by 70 percent.
- Thanks to our excellent earnings, Group equity capital rose substantially by 14 percent to € 558.1 million.

ARAG remained on a highly dynamic and positive course for success during the past business year. Although we cannot present all of the good news from the Group at this time, we are certain that the key figures listed here speak a sufficiently clear language.

The Group achieved gross written premiums totaling € 1.76 billion, as compared to € 1.65 billion in 2018. That corresponds to an increase of € 110 million, or 6.6 percent. Thus ARAG offset the loss of premium income resulting from the sale of the life insurance business – a full year earlier than expected. All of our national and international units contributed to this growth and enabled us to record gains on a broad front. Premium revenue in the embattled German market surpassed the 1 billion euro mark for the first time in ARAG's history, as total premium income rose from € 981 million to € 1.02 billion. In Germany the number of customers increased by 83,000 to 2.22

million on balance. This reflects the continuous growth of the customer base in our German home market. Our international units took a clear lead in the little Group-wide premium-revenue contest between our German and international organizations with a gain of 9.5 percent – from € 672.6 million to € 736.5 million. We now manage 8 million policies in Germany and abroad (2018: 7.1 million).

The ARAG Group turned in an outstanding performance in 2019. Considering today's conference format, I shall dispense with a detailed discussion of our Group business segments. In terms of highlights, we should note that the legal insurance segment – our largest business sector – grew by 8.1 percent. We reported a very good premium-income gain of 5.3 percent in Germany and nearly 10 percent our international units. The health insurance segment recorded very strong growth in production thanks to the introduction of a new, ultra-modern family of full-coverage products at the end of the year. Premiums generated by ARAG Health rose by 5.2 percent, and we reported a 3.4-percent gain in premium revenue in the composite segment.

ARAG posts strong underwriting results once again and sets a new record in profit on ordinary activities.

Business progressed very well in 2019, and not only in terms of premium income. The Group proved to be in very good shape on the earnings side as well. In spite of the substantial expansion of our business volume, our underwriting result rose to another ten-year high at € 98.5 million and ended the year with a 1.1-percent gain over the previous year (€ 97.4 million). Accordingly, the combined ratio changed only marginally. At 88.7 percent after the 88.6 percent reported in 2018, it remained at a very good level in spite of our strong growth rates.

Expenditures for insurance claims rose noticeable during the past business year. We paid a total of € 936.5 million in benefits to our policyholders. That amounts to a 7.5-percent increase over the preceding year. The leading causes of this increase were the substantial additional costs incurred in connection with the diesel scandal and higher expenditures in the health insurance segment. Thanks to our strong growth, however, the Group claims ratio rose only marginally from 53.1 to 53.3 percent.

Fueled by our dynamic growth, the costs of insurance business rose by 6.1 percent to € 618.3 million. The cost ratio fell only slightly from 35.5 to 35.3 percent, however.

In contrast to 2018, investment income in 2019 nearly doubled under the influence of the favorable market trend. The final figure rose to € 157 million, as compared to € 81.1 million in 2018 – a gain of 93.4 percent.

Under the bottom line, the ARAG Group earned outstanding profit on ordinary activities amounting to € 120 million – which corresponds to an improvement of 70.7 percent. With net after-tax income of € 77.5 million, ARAG reported the best result in its history.

In view of the current public discussion, I should point out that, in spite of these record profits, ARAG is leaving dividends at the level of the preceding years. We are paying out € 10 million as in 2019 and retaining the remainder of our earnings in the organization.

More than 20 years ago, my acquisition of the majority share of ARAG was an experiment with an uncertain outcome. The picture we see today is entirely different. Every line of our balance sheet indicates that we have firm control of our business. Our Group is growing dynamically. ARAG is solvent and posting sustainable earnings. For that we owe a debt of thanks to our dedicated employees, who identify completely with ARAG and its goals. Our shareholders and the members of our Management Board are proud of and grateful for their contributions. Through this strong spirit of solidarity and a consistent team effort, we have all written a corporate success story.

At the dawn of a new decade, the ARAG Group remains fully “energized,” even though the COVID-19 crisis has clearly disrupted our plans for 2020. The Management Board is firmly convinced that ARAG will cope successfully with the effects of this shock, thanks not least of all to its strong performance capacity and its excellent corporate culture. We will continue to focus on the changing needs of our customers and the goal of keeping our employees healthy. With that in mind, I shall now turn the rostrum over to Dr. Dirksen, who will offer us an overview of current developments.

II. Outlook:

Dr. Renko Dirksen

ARAG shows strength. Extensive digitization promotes seamless transformation

Thank you, Dr. Faßbender,

Like so many things, our business performance in 2020 can be divided into two phases: before and after the COVID-19 outbreak. Allow me to proceed chronologically, beginning with the pre-pandemic phase. We made a great start in the year 2020. We were truly “energized.” Our premium income rose by solid 6.5 percent to € 530 million in the first quarter (2018: € 497 million). Revenue rose by 5.3 percent in Germany. The German legal insurance segment recorded a very good 5.5 percent gain, and income from health insurance premiums was up by a solid 7.8 percent. Things were also going exceedingly well in our international markets, where we grew again by a good 9 percent.

Then came COVID-19. You all know what happened in the financial markets. The disruptions it caused in capital markets were also felt in ARAG's capital investment portfolio. Once again, we can be content with our Group's conservative strategy today. We cannot predict how our business will progress for the remainder of the year, of course. It is still much too early for a reliable assessment. Our original premium-income goal of € 1.84 billion will not be achievable this year. Yet we are confident in our ability to keep premiums at a stable level in 2020. No one can seriously expect another record year in 2020.

We are well aware that the COVID-19 crisis represents the ultimate test of an insurer's digital performance capacity. Before the outbreak, it was always easy to assert that our digital capacity was strong, but that claim was hardly verifiable. ARAG was able to prove it, however, and proceeds to do so. Our extensive investments in the digital transformation of our Group within the framework of the ARAG Smart Insurer Program paid off. We equipped all of our employees with laptops in 2019, and that alone enabled us to make a smooth and rapid transition to home-office operations this year. While many insurers had to motivate their employees to keep coming to their offices in order to keep their business running, we were able to send all of our teams home without going through a long test phase. Since then, business has been running smoothly – and that in the face of a marked rise in the demand for services on the part of our customers, especially in the legal insurance segment. Almost our entire staff (95 percent) is working on behalf of our customers from home. We also benefit from the decision to shift our entire exclusive sales organization (tied agents) over to a fully digital sales process in 2019. This process is also continuing via Microsoft Teams video conferences with customers without media disruptions. During the last few days we have moved at least some of our employees back to their offices.

Our international positioning has also helped us manage the crisis. We learned early on through our branch in northern Italy that the tidal wave was coming. Our colleagues in Italy provided us immediately with information, impressions and insights based on their experiences. Thus we benefitted once again from our corporate culture, which relies heavily on the international knowledge exchange. All units in our Group are confronted with the same problems. The COVID-19 wave moved around the globe at different speeds, which meant that ARAG colleagues could learn immediately from the experiences of others. We reacted with corresponding speed for the Group as a whole.

Today, we also recognize a growing need for legal guidance among our customers. That was to be expected, and we expanded our program of services for both customers and non-customers significantly within just a few days. Inquiries regarding our services – both on- and offline – rose by 75 percent in the field of labor law alone, and we noted an increase of over 50 percent in other legal fields. In other words, our products are needed, and they are being used. We couldn't hope for anything better than to be given the chance to demonstrate our performance capacity to our customers. Thus we began

offering free telephone consultation with attorneys for everyone in early April. We cover all of the costs of this service for non-insured consumers. In addition, we have also programmed a number of consulting bots in order to enable consumers to obtain help through this channel as well.

As you can see, we have adapted quickly to the new circumstances and continue to be available for our customers. Having said that, I'd like to move on directly to a discussion of the agenda for the period following the resignation of Dr. Faßbender in early July. The Management Board will be focusing above all on steering the Group through the present crisis. In this regard we are proud of our employees, who are actively developing our business under these adverse conditions. There is an opportunity in every crisis.

Several things are clearly evident. The ARAG Group is currently operating with optimum efficiency without the traditional office presence both in Germany and abroad. This gives rise to new ideas for workplace models that may be much more in tune with the needs of our employees and would thus further enhance our attractiveness as an employer while improving our capacity to perform on behalf of our customers. In any event, the experience we are gaining right now is of great value to us.

The past weeks have also affirmed something we have known for some time, namely that hardly any other type of insurance is as ideally suited for service and consulting purposes as legal insurance. Access to justice for consumers is simplified considerably by digitization. That opens up new opportunities for our business model. We are able to offer the entire range of benefits, from initial legal orientation to consultation with an attorney to concrete enforcement of legal rights, in a single insurance solution and are doing precisely that already. At the same time, finding the right path demands a great deal of effort. No one has found the "philosophers' stone" thus far. That goes not only for us but for all other players as well.

The ARAG Management Board team is firmly convinced that this is not the right time to roll out ambitious visions for the future. Everything that was generally accepted up until mid-March is no longer valid today, and everything that looks interesting today will be completely outdated in August. We are not going to send the Group on this roller-coaster ride. We simply don't know which of the changes we recognize today will prevail. If there is any guiding principle for the ARAG Group at all during the next few months, then it is the belief that it will pay off for us to invest in the quality of our processes, in consistent digitization and in our corporate culture.

Without the success achieved during the past few years, our Group would not be in such a strong position today. ARAG is an organization on the path to the future. The processes of internationalization and digitization have strengthened our Group over the years and generated new potential. We have

a resilient, experienced and highly motivated team on which our customers can rely. Our objective now must be to preserve all of that through the crisis without diminishing ARAG's commitment. ARAG can expect to lose customers and post much lower earnings in 2020. We will overcome these challenges thanks to its strong position. We will overcome them above all because our Group is backed by its very special ARAG spirit, which will not allow the successes of past years to be taken from us so quickly. Thus I look at the current year with confidence. Our position and our business model are solid, resilient and future-proof.

On that note I shall end my remarks and turn the rostrum back over to Dr. Faßbender.

Thank you, Dr. Dirksen,

I do not wish to prolong this statement unnecessarily. In my view there is nothing more to add. I am truly saddened by the fact that I am resigning from my function at ARAG SE without bidding you farewell in person. It is not up to me to evaluate the business development of the ARAG Group since the year 2000. That is for others to do. You have all accompanied me with constructive criticism and fairness for the past 20 years, and I am grateful to you for that. It has always been important to me to honor you conscientiously in your roles as important partners and multipliers. Media work is not a freestyle endeavor; it is compulsory. And only in this way has it been possible to build ARAG's reputation as an underdog in the industry into that of a successful and recognized market player. My discussions with you have been very important to me in that regard. As Chairman of the Board of ARAG Holding SE, I will not be disappearing from the face of the Earth, and that makes me very happy.

Thank you for your attention.